

Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AGR-01 AF-10 ARA-10 EUR-12 NEA-10 OIC-02
JUSE-00 DOEE-00 SSO-00 /169 W
-----017533 041845Z /44

P 041819Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1639
INFO AMEMBASSY TOKYO

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USMTN

ACTION STR PASS ELECTRONICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: ETRD, MTN, JA
SUBJECT: US/JAPAN TARIFFS BILATERAL JUNE 28: WOOD/WOOD
PRODUCTS

1. U.S. DEL (MCNAMARA, MOORE, WHITE, CASSIDY) DISCUSSED
U.S. REQUESTS FOR IMPROVEMENT OF JAPANESE TARIFF OFFER ON
WOOD AND WOOD PRODUCTS WITH JAPANESE MTN DEL (ENDO, UENO
ET AL) ON JUNE 28. U.S. DEL DREW ON STATE 107336, INFORM-
ATION CARRIED TO GENEVA BY SCHLECHTY, AND OTHER INFORMATION
SUPPLIED BY MALASCHEVICH, USDOC. POINTS EMPHASIZED INCLUDE:

(A) BASIC INEQUITY IN TRADING RELATIONSHIP WHEREBY U.S.
EXPORTS OVER ONE BILLION DOLLARS OF LOGS TO JAPAN AND LESS
THAN ONE MILLION DOLLARS OF SOFTWOOD PLYWOOD;
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(B) U.S. OFFER ON SAME PRODUCTS TO REDUCE TARIFFS BY
MAXIMUM AUTHORITY;

(C) U.S. INTEREST IN JAPANESE PLYWOOD MARKET IS LONG
RUN; INCREASED EXPORTS DEPEND ON CHANGES IN JAPANESE TASTES,
DESIGN AND CONSTRUCTION METHODS; AND TARIFF LIBERALIZATION

TODAY POSES NO IMMEDIATE THREAT TO JAPANESE INDUSTRY;

(D) WORK OF FOREST PRODUCTS STUDY GROUP ESTABLISHED BY STRAUSS/USHIBA WILL BE ULTIMATELY FRUSTRATED IF JAPANESE LIBERALIZATION OF TARIFFS AND NTB'S ON FOREST PRODUCTS DOES NOT OCCUR;

(E) JAPANESE OFFER TO DATE HAS BEEN MINIMAL.

2. U.S. DEL ALSO EMPHASIZED POLITICAL SENSITIVITIES IN U.S. AND CYCLICAL NATURE OF U.S. DEMAND FOR LOGS AND WOOD PRODUCTS. WE EMPHASIZED THAT CONTINUED U.S. WILLINGNESS TO SUPPLY RAW MATERIALS MAY BE JEOPARDIZED BY JAPANESE REFUSAL TO REDUCE BARRIERS ON WOOD PRODUCTS.

3. JAPANESE DELEGATION INDICATED THAT HIGH SENSITIVITY TO IMPORTS WOULD MAKE IT ALMOST IMPOSSIBLE TO IMPROVE OFFER. SPECIFIC POINTS CITED BY JAPANESE WERE:

(A) WOOD PRODUCTION IS A POST-WAR INDUSTRY WHICH IS NOW BEGINNING TO HARVEST ITS INITIAL PLANTINGS;

(B) JAPAN MUST MAINTAIN AND PROTECT ITS DOMESTIC PRODUCTION TO ENSURE RECYCLING OF FORESTS;

(C) INDUSTRY IS COMPOSED OF MANY SMALL-TO-MEDIUM-SIZE FIRMS, LARGEST OF WHICH WENT BANKRUPT IN 1977;
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(D) EVEN CONSIDERING 8-TO-10-YEAR STAGING, DIFFICULT FOR JAPAN TO REDUCE TARIFFS NOW;

(E) WITH RESPECT TO EQUITY IN TRADING RELATIONSHIP, IN JAPAN'S VIEW PARAGRAPH SIX OF THE STRAUSS/USHIBA COMMUNIQUE DOES NOT APPLY TO AGRICULTURAL PRODUCTS.

4. U.S. DEL RESPONDED THAT NOTWITHSTANDING U.S. VIEW THAT WOOD PRODUCTS ARE NOT AGRICULTURAL, PARAGRAPH SIX OF STRAUSS/USHIBA COMMUNIQUE DESCRIBES TRADE OBJECTIVES WHICH TO VARYING DEGREE PERTAIN TO ALL TRADE BETWEEN U.S. AND JAPAN. WHILE JAPANESE MAY INTERPRET "COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS" AS ONLY RELEVANT IN MTN TO INDUSTRIAL PRODUCTS, U.S. DEL BELIEVES THAT REMAINDER OF PARA WHEREBY JAPAN AND U.S. SEEK EQUIVALENT ACCESS, SECO, AND EQUITY IN ITS TRADING RELATIONSHIP APPLIES TO ALL PRODUCTS.

5. UNDER QUESTIONING BY U.S. DEL, UENO ADMITTED LIKELIHOOD THAT JAPANESE DEMAND FOR U.S. LOGS WILL SHARPLY DECREASE WITHIN NEXT DECADE. HE THEN RELUCTANTLY ADMITTED

THAT UNDER PRESENT COMMERCIAL POLICY JAPAN WILL PROBABLY INCREASE ITS APPLIED RATES ON LOGS (PRESENTLY FREE, UN-BOUND), AND JAPANESE WOOD PRODUCTS MARKET WILL BE HIGHLY PROTECTED FROM RAW MATERIALS THROUGH FINISHED PRODUCTS.

6. COMMENT: U.S. DEL BELIEVES THAT FURTHER IMPROVEMENT IN JAPANESE OFFER IS LIKELY ONLY IF ISSUE IS PURSUED AT HIGHER LEVELS. END COMMENT.

7. DRAFTED BY MOORE. MCDONALD

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 04 jul 1978
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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